



**CITY OF NEWPORT BEACH**  
**Newport Beach, California**  
**Single Audit Report on Expenditures of**  
**Federal Awards**  
**Year Ended June 30, 2010**



**Mayer**  
**Hoffman**  
**McCann P.C.**  
An Independent CPA Firm

**CITY OF NEWPORT BEACH**  
**Single Audit Report on Expenditures of Federal Awards**  
Year Ended June 30, 2010

**TABLE OF CONTENTS**

	<u>Page</u>
Report on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Summary Schedule of Prior Audit Findings	9



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200

Irvine, California 92612

949-474-2020 ph

949-263-5520 fx

www.mhm-pc.com

To the City Council  
City of Newport Beach, California

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Newport Beach (the "City"), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

To the City Council  
City of Newport Beach, California  
Page Two

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Other matters have been communicated in a separate letter to management dated December 23, 2010.

This report is intended solely for the information and use of the City Council, City's management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mayon Hoffman McCann P.C.*

Irvine, California  
December 23, 2010



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200  
Irvine, California 92612  
949-474-2020 ph  
949-263-5520 fx  
www.mhm-pc.com

To the City Council  
City of Newport Beach, California

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the City of Newport Beach (the "City"), California, with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Newport Beach complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the City Newport Beach is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

To the City Council  
City of Newport Beach, California  
Page Two

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport Beach, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 23, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, City's management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mayor Hoffman McCann, L.L.*

Irvine, California  
December 23, 2010

**CITY OF NEWPORT BEACH**  
**Schedule of Expenditures of Federal Awards**  
Year Ended June 30, 2010

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Program Identification Number</u>	<u>Federal Award Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
<b>U.S. Department of Housing and Urban Development</b>				
Direct Assistance:				
Community Development Block Grant	14.218	B-09-MC-06-0546	\$ 179,819	64,791
Community Development Block Grant - ARRA	14.253	B-09-MY-06-0546	96,603	-
Section 108 Loan	14.248	B-04-MC-06-0546	197,535	-
Subtotal U.S. Department of Housing and Urban Development			<u>473,957</u>	<u>64,791</u>
<b>U.S. Department of the Interior</b>				
Direct Assistance:				
CALFED Grant	15.533	06FG350208	<u>2,751</u>	<u>-</u>
<b>U.S. Department of Transportation</b>				
Passed through the State of California:				
Seismic Retrofit	20.205	STPLZ-5151	6,345	-
Federal Aid Program	20.205	ESPL-5151	<u>939,060</u>	<u>-</u>
Subtotal			<u>945,405</u> *	<u>-</u>
Office of Traffic Safety:				
AVOID DUI 28 Grant	20.601	AL0848	5,998	-
DUI STEP	20.601	PT0802	61,292	-
DUI Enforcement	20.601	AL1087	<u>119,348</u>	<u>-</u>
Subtotal			<u>186,638</u>	<u>-</u>
Subtotal U.S. Department of Transportation			<u>1,132,043</u>	<u>-</u>
<b>U.S. Department of Treasury</b>				
Passed through the State of California:				
Department of Justice:				
Federal Asset Forfeiture	16.000	- ^	3,029	-
Edward Byrne Memorial Justice Assistance - ARRA	16.804	2006-DD-BX-0547	<u>69,956</u>	<u>-</u>
Subtotal U.S. Department of Treasury			<u>72,985</u>	<u>-</u>

(Continued)

\* - Major program

^ - Program identification numbers were not provided by the Grantor. As such, this information was not available.

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF NEWPORT BEACH**  
**Schedule of Expenditures of Federal Awards**  
(Continued)

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Award Expenditures	Amounts Provided to Subrecipients
<b>U.S. Department of Homeland Security</b>				
Passed through the State of California				
Domestic Preparedness Equipment Support	97.004	- ^	8,822	-
Subtotal			8,822	-
Urban Area Security Initiative	97.008	2007-GE-T7-0008	8,546	-
Urban Area Security Initiative - Police Training	97.008	2007-GE-T7-0008	1,033	-
Urban Area Security Initiative - Vehicle and Equipment	97.008	2007-GE-T7-0008	4,799	
Urban Area Security Initiative - Transfer Agreement	97.008	2008-GE-T8-0006	134,979	-
Subtotal			149,357	-
Passed through the State of California- Office of Emergency Services				
Public Assistance Grant	97.036	- ^	108,933	-
Subtotal U.S. Department of Homeland Security			267,112	-
<b>U.S. Department of Commerce</b>				
Passed through the State of California- CA Emergency Management Services:				
Public Safety Interoper Comm 2007	11.555	2007-GS-H7-2008	280,586	-
Total federal expenditures			\$ 2,229,434	64,791

\* - Major program

^ - Program identification numbers were not provided by the Grantor. As such, this information was not available.

See accompanying notes to schedule of expenditures of federal awards.

## CITY OF NEWPORT BEACH

### Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

(a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Newport Beach (the "City") that are reimbursable under federal programs of federal financial assistance. For purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from non-federal organizations. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Expenditures reported include any property or equipment acquisitions incurred under the Federal program.

(c) Subrecipient Expenditures

During the fiscal year ended June 30, 2010, the City of Newport Beach disbursed \$64,791 to sub-recipients to be used for the federally allowable expenditures in accordance with the grant agreements.

**CITY OF NEWPORT BEACH**  
**Schedule of Findings and Questioned Costs**

Year Ended June 30, 2010

(A) Summary of Auditors' Results

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. There were no material weaknesses in internal control over financial reporting.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses in internal control over major programs of the auditee.
5. An unqualified report was issued by the auditors on compliance for major programs.
6. The audit disclosed no audit findings required by the auditors to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major program of the auditee was the following:
  - U.S. Department of Transportation - Federal Aid Program - CFDA No. 20.205.
8. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
9. The auditee met the criteria to be classified as a low risk auditee, as defined by OMB Circular A-133 paragraph .530.

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

There are no auditors' findings required to be reported in accordance with GAGAS.

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) at OMB Circular A-133

There are no auditors' findings to be reported in accordance with paragraph .510(a) at OMB Circular A-133.

**CITY OF NEWPORT BEACH**  
**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 2010

There were no audit findings for the year ended June 30, 2009 that required follow-up during the year ended June 30, 2010.